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SUBJECT: DOMINICAN ELECTIONS #47: THE EXPENDITURE COST OF DEMOCRACY

¶1. (SBU) This is no. 47 in our series on the Dominican presidential elections:

The Expenditure Cost of Democracy

Dominicans have lived in an increasing tempest of campaign advertising over the past eight months. Just how much is being spent is unclear, as is the origin of private contributions to political parties. But the physical and audiovisual landscapes of the country have been transformed with images of candidates -- principally of the leading three but also of the minor hopefuls. In a country with a monthly minimum wage of less than USD 100, over most of the last year the parties have lined major highways and urban thoroughfares with large billboards costing an average of 100,000 pesos (USD 2000) a month. Prime air-time, currently being consumed in great amounts, costs 200,000 pesos (USD 4000) an hour. And these are the costs only of rental of space or time, exclusive of the conceptual, creative, and marketing services. By any estimate, spending on ads significantly exceeds the public subsidies granted to the parties.

On April 7th, the Central Election Board (JCE) distributed the government's public sharing funds in the amount of nearly 413 million pesos (USD 8 million) for the 23 political parties. The formula for the distribution of money is two-fold:

--- 25 percent of the money (103 million pesos)(USD 2m) is divided equally among all registered parties.

--- 75 percent (310 million pesos)(USD 6m) is distributed according to a formula for the number of votes obtained in two previous general elections - specifically the 2000 presidential election and the 2002 congressional and municipal elections

Since the three major parties captured 96 percent of voter preferences, the PRD received 139.6 million pesos (USD 2.48m), the PLD 83.9 million pesos(USD 1.7m), and the PRSC 81.9 million pesos (USD 1.65m).

The 1997 Elections law stipulates that a party must account for all of its income and expenditures to receive electoral funds, but not every party has fulfilled this requirement. During his earliest call in March OAS observer mission chief Santiago Murray reminded candidates of the need to document campaign spending. The JCE appears to be relatively indulgent concerning accuracy and timeliness of reporting, leading to persistent inter-party accusations of fraud, not easily subject to evaluation.

Opponents have maintained that President Mejia has used government funds for his campaign and advertising; on May 6 the visiting IMF review team told the Ambassador that government financial records through March do not show any such diversion. At the same time, none of the parties is publicly identifying major private contributors or amounts given. The common wisdom is that most major businesses have lines of financing and influence to all three big parties.

According to public records for September 2003 - January 2004 Mejia as incumbent president outspent other parties on pre-campaigning nearly 2 to 1: nearly 73 million pesos (USD 1.4m) compared to the PLD's 38 million pesos (USD 76,000). It is not clear how much of this was devoted to Mejia's vigorous defense against other PRD rivals, which culminated only in January.

Private sources of funding include business appeals and fundraiser events. Parties seek donors primarily in the Dominican Republic and the United States, including especially in Puerto Rico. For example, during President Mejia's brief Easter trip to the United States, campaign dinners charged an average of RD \$500,000 (USD 10,000) per plate.

Funds are raised primarily to meet advertising expenses for radio, television, and print media. Over the past five months, it is estimated that parties spent at least 159 million pesos(USD 3.1m) on advertising, equivalent to nearly 40 percent of all JCE allotments. From September 2003-January 2004, the PRD invested almost 56 million pesos (USD 1m) in television ads - followed by the PRSC at 35 million pesos (USD 700,000) and the PLD at 32 million million(USD 64,000).

In this discussion we neglect entirely party expenditures on logistics, vehicles, publications, hall rental, publications, simple handouts and all the other expenses of doing partisan business. The costs of the campaigns are essentially unknown, except to the managers, and given the laxity of financial accounting in the country, perhaps not even to them. There is a good deal of ad-hoc fundraising -- for example, President Mejia reportedly has turned to the Spanish owner of Air Europa to arrange and contribute return transportation of the Dominican "Quisqueya battallion" of 302 soldiers. This handsome donation, probably never to be costed for the accounts, will allow the President to fulfill his promise of getting the boys back home before the election.

Though one would like to see such large sums - perhaps as much as USD 20 million spent by each major party -- going into productive investment rather than rival expenditure, they do not represent a complete waste. Taken in a time of economic contraction and inflation, campaign expenditures have delivered a useful counter-cyclical stimulus with significant multiplier effects. And, when all is said and done - and counted - the cost of campaigning is part of the price of democracy.

12. (U) Drafted by Leticia Cantu, Michael Meigs.

13. (U) This report and others in our series are available on our SIPRNET site at
<http://www.state.sgov.gov/p/wha/santodomingo/> along with extensive other material.
HERTELL